

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 OC-05 CCO-00 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 AGR-05 DOTE-00 DODE-00 PM-04 H-02

L-03 PA-01 PRS-01 /099 W

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R 021340Z MAR 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9089

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EO 11652: N/A

TAGS: PINT, ELAB, PE

SUBJECT: LABOR/PRIVATE SECTOR/GOP CONFLICTS CONTINUE

SUMMARY: TWO NEW FORTY-EIGHT HOUR STRIKES IN IMPORTANT SECTORS, UNEASINESS IN THE PRIVATE SECTOR REGARDING A CLAMPDOWN ON CONSTRUCTION, AND MORALES BERMUDEZ' CONTINUING DENUNCIATIONS OF HIS CRITICS ON THE LEFT AND RIGHT, INDICATE THAT THE THREE-CORNERED STRUGGLE AMONG THE REVOLUTION'S GOALS, WORKERS' INTERESTS, AND PRIVATE INTERESTS CONTINUES UNRESLOVED. END SUMMAY.

1. TWO FORTY-EIGHT HOUR PROTEST STRIKES BEGAN MARCH 1. BANKS ACROSS PERU CLOSED BECAUSE OF TWO-DAY STRIKE BY FEDERATION OF BANK EMPLOYEES. PERU'S MAJOR PORT OF CALLAO WAS ALSO LARGELY IDLE BECAUSE OF STRIKE BY 40,000 WORKERS. BOTH UNIONS ARE AFFILIATED WITH THE COMMUNIST-LED CGTP AND THE STRIKES ARE PRIMARILY AIMED AGAINST THE GOP'S WAGE RESTRAINTS EMBODIED IN THE SO-CALLED "BARUA DECREE 21394" OF JANUARY 12. ALSO, THE NATIONAL UNION OF LIGHT AND POWER WORKERS AND THE FEDERATION OF WORKERS OF AREQUIPA (RAILROADS, COMMUNICATIONS) HAVE THREATENED STRIKES LATER THIS WEEK. THESE UNIONS ARE LIMITED OFFICIAL USE

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NOT, HOWEVER, PARTICULARLY MILITANT AND ARE BESET BY COMPLI-

CATING INTERNAL POWER STURGGLES. THEIR PUBLIC APPEALS SUGGEST A DESIRE TO RESOLVE THEIR DIFFERENCES WITH THE MINISTRY OF LABOR SHORT OF STRIKE ACTION IF AT ALL POSSIBLE.

2. A SERIOUS GOP INDUSTRY CONFLICT IS SHAPING UP IN THE IMPORTANT CONSTRUCTION INDUSTRY IN THE WAKE OF DECREE 21419 OF FEBRUARY 11, AND RELATED ADVERSE DEVELOPMENTS IN THE BUILDING SECTOR. THE DECREE GAVE TEETH TO A LONG-STANDING BUT UNENFORCED PROHIBITION AGAINST USE OF AGRICULTURAL LANDS FOR NON-AGRICULTURE PURPOSES, AND IN PARTICULAR FOR RESIDENTIAL CONSTRUCTION. THE MINISTRY OF AGRICULTURE WAS GIVEN A VIRTUAL VETO OVER SITE APPROVAL FOR CONSTRUCTION. ONE IMMEDIATE IMPACT IS SEEN IN USAID'S HOUSING PROGRAMS WHERE SEVEN OF EIGHT PENDING HOUSING GUARANTEE PROJECTS HAVE BEEN FROZEN PENDING THE REQUIRED REVIEW AND APPROVAL BY MINAG.

3. DECREE 21419 FURTHER ANNOUNCED THE GOP'S INTENTION TO NATIONALIZE ALL URBAN LAND SITES NOW HELD FOR SPECULATIVE INVESTMENT AND FUTURE DEVELOPMENT WHENEVER EACH SITE COMES ON THE MARKET FOR SALE. CONSTRUCTION OF PRIVATE RESIDENCES ALREADY UNDERWAY MAY CONTINUE, BUT NO NEW MAJOR BUILDING CAN PROCEED IN GREATER LIMA, NOR CAN UNDERDEVELOPED LANDS BE SOLD PENDING FURTHER DECREES TO DETERMINE THE MEANS AND TIMING OF THE TAKEOVER OF LANDS. AS IF NOT ENOUGH, THE DISINCENTIVES TO THE CONSTRUCTION INDUSTRY ARE FURTHER COMPOUNDED BY A RECENT MORATORIUM ON RENT HIKEs AND BY THE RECURRENT RUMOR THAT ALL SECOND HOMES WILL ALSO BE NATIONALIZED. THE CHAMBER OF BUILDERS WHICH REPRESENTS SUPPLIERS, CONTRACTORS, CONSULTANTS AND BANKS, HAS DENOUNCED THE MEASURES AS CRIPPLING TO THEIR INDUSTRY. AT LEAST ONE UNANNOUNCED MEETING BETWEEN THEM AND MORALES BERMUDEZ TOOK PLACE THE LAST WEEK.

4. THE MAJOR UNIONS OF THE CONSTRUCTION INDUSTRY HAVE THUS FAR BEEN SILENT ABOUT DEVELOPMENTS WHICH ARE BOUND TO HAVE AN ADVERSE EFFECT ON EMPLOYMENT IN ONE OF THE LARGEST AND UP TO NOW MOST ACTIVE SECTORS OF PERU'S ECONOMY. THE SEVERAL UNIONS ARE PRIMARILY COMPOSED OF LOW-PAID DAY LABORERS, THE MAJORITY OF WHOM ARE COMMUNIST-AFFILIATED.

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5. LAST WEEK THERE WAS A RELIABLE REPORT THAT THE NATIONAL ASSOCIATION OF INDUSTRIALISTS AND OTHER PRIVATE SECTOR GROUPS HAD DRAFTED AND SENT PRIVATELY TO GOP (REPEATEDLY TO MININDUSTRY AND TO

MINECONOMY) A MANIFESTO CALLING UPON THE PRESIDENT TO AVOID EXCESSIVELY RADICAL OR COMMUNIST-INSPIRED ECONOMIC MEASURES. THE RECENT MOVES BY GOP AGAINST LAND SPECULATION AND THE BUILDING INDUSTRY WOULD ALONE

BE SUFFICIENT TO STIR SUCH A REACTION BY THE PRIVATE INTERESTS. MORALES BERMUDEZ MAY HAVE SHOWN HIS LACK OF SYMPATHY TOWARD THE MANIFESTO IN HIS SPEECH AT ICA, FEBRUARY 26. HE INSERTED AMONG HIS PRO-FORMA DENUNCIATIONS OF THE ULTRA LEFT AND "THE CAVEMEAN RIGHT", A NEW CRITICISM AGAINST "THE MORE SUBTLE REACTIONARY FORCES" WHO WANT TO STOP THE REVOLUTION WHERE IT IS BECAUSE THEY FEAR COMMUNISM WILL TRIUMPH IF THE REVOLUTIONARY MARCH CONTINUES.

7. COMMENT: IT IS, OF COURSE, EXAGGERATED AND INCORRECT FOR THE PRIVATE SECTOR TO EQUATE REFORM GOALS OF THE MILITARY REVOLUTION WITH COMMUNISM. AT THE SAME TIME, THE PRESIDENT'S PUT-DOWN OF THE ANXIETIES OF THE PRIVATE SECTOR DOES NOTHING TO ADVANCE ANY EVENTUAL ACCOMMODATION. MEANWHILE THE GOP AND THE PRIVATE SECTOR BOTH CONTINUE TO HAVE DIFFICULTY WITH MOSCOW-ORIENTED UNIONS. THE MORALES BERMUDEZ REGIMES APPARENTLY IS WILLING TO ACCEDE TO SOME UNION DEMANDS, PARTICULARLY IF IT IS AT THE EXPENSE OF THE PRIVATE EMPLOYERS, BUT AT THE SAME TIME IT IS TRYING TO KEEP ITS AUSTERITY PROGRAM ESSENTIALLY INTACT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, LABOR STRIKES, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA01983
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760079-0431
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197603104/aaaadoet.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by ShawDG>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LABOR/PRIVATE SECTOR/GOP CONFLICTS CONTINUE SUMMARY: TWO NEW FORTY-EIGHT HOUR STRIKES IN IMPORTANT SECTORS
TAGS: PINT, ELAB, PE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006